

STATE OF NEW JERSEY  
BUREAU OF SECURITIES  
P.O. Box 47029  
NEWARK, New Jersey 07101  
(973) 504-3600

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IN THE MATTER OF: :

Richard P. Callipari :

CRD # 2315693 : SUMMARY BAR ORDER

Respondent :

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To: Richard P. Callipari  
5 Hill Road  
Washingtonville, NY 10992

Pursuant to the authority granted to the Chief of the New Jersey Bureau of Securities ("Bureau"), by the Uniform Securities Law as amended, L. 1997, c. 276, N.J.S.A. 49:3-47 to N.J.S.A. 49:3-76 ("Law"), more specifically, N.J.S.A. 49:3-56 and after careful review and due consideration of:

- 1) Indictment, 1:02CR00067-01ML, United States of America v. Richard P. Callipari, United States District Court, District of Rhode Island, Signed July 30, 2002 ("Indictment").
- 2) Judgment, 1:02CR00067-01ML, United States of America v. Richard P. Callipari, United States District Court, District of Rhode Island, April 28, 2003 ("Judgment")

the Bureau Chief makes the following findings of fact:

1. Richard P. Callipari ("Callipari"), a resident of 5 Hill Road, Washingtonville, NY 10992, was employed by Fidelity Capital Markets ("Fidelity") in Boston, Massachusetts, as an Equity Trader from December 1993 to on or about April 7, 1997. Fidelity is a division of National

Financial Services Corporation, CRD # 13041. While working for Fidelity, Callipari acted as a broker, trading in securities and other investment vehicles on behalf of institutional customers. Callipari's job was eliminated on or about April 7, 1997.

2. In July 1997, Callipari began working as an Off-Floor Trader for JAS Securities, LLC ("JAS"), CRD# 41804, in Johnston, Rhode Island. JAS was Callipari's largest client when he worked at Fidelity. On or about July 7, 1997, Callipari entered into a trading agreement with JAS whereby Callipari would receive between 50 and 70 percent of all profits earned on a sub-account of JAS which Callipari would trade.

3. Thomas J. Connolly ("Connolly"), CRD # 1670726, was employed by Fidelity as a trader in Boston, Massachusetts from January 29, 1993 to September 25, 1997. Connolly was responsible for facilitating the execution of customer orders for option trades by relaying these orders to the appropriate exchange for execution. Connolly and Callipari became friends when they both worked at Fidelity.

4. In or about August 1996, Connolly began trading in stock index options without having prior authorization from a Fidelity customer, Mr. X, to make the particular trades. In or about late 1996 or early 1997, Connolly had engaged in unauthorized trades which caused substantial losses for Mr. X. Mr. X refused to accept these trades and Callipari, who was still working at Fidelity, told Connolly that if he was profitable in the new trades, Callipari could find a customer for the new trades. Connolly was successful in generating a net profit in these additional unauthorized trades, and Callipari arranged for JAS, his biggest customer, to "take in" all of the unauthorized trades.

5. After Callipari left Fidelity in April 1997, Connolly continued to engage in

unauthorized trading for JAS. Between July and early September 1997, Connolly made \$500,000 in profits for JAS, of which \$220,000 went to Callipari, by trading in options on the Chicago Board of Options Exchange ("Chicago Board"). In mid-September of 1997, Connolly's trading started to lose money, resulting in losses of \$2.39 million. Callipari tried to reject all of these losing trades, telling traders on the Chicago Board that he had not authorized the trades. Consequently, Fidelity ended up incurring all of the \$2.39 million in losses.

6. On July 30, 2002, Callipari was indicted on twelve (12) counts in the United States District Court, District of Rhode Island. Specifically, Callipari was charged with: ten (10) counts of wire fraud, in violation of 18 U.S.C. §§ 2 and 1343, one (1) count of conspiracy to commit wire fraud, in violation of 18 U.S.C. § 371, and one (1) count of endeavoring to obstruct an SEC proceeding, in violation of 18 U.S.C. § 1505.

7. On February 11, 2003, Callipari was convicted by a federal jury on all twelve (12) counts. On April 28, 2003, the Honorable Mary M. Lisi, United States District Judge for the District of Rhode Island, sentenced Callipari to thirty (30) to thirty-seven (37) months in prison and fined him \$8,700.

8. Callipari is currently in custody of the United States Marshalls, and he is required to surrender for service of sentence at the institution designated by the Bureau of Prisons before 2 p.m. on August 25, 2003.

9. The fact that Callipari was convicted of crimes involving theft and fraudulent practices pertaining to federal law is grounds pursuant to N.J.S.A. 49:3-56(k) to summarily bar Callipari from being a partner, officer or director of an issuer, broker-dealer or investment adviser, or from occupying a similar status or performing a similar function or from directly or indirectly



controlling or being controlled by an issuer, broker-dealer or investment adviser, or from acting as a broker-dealer, agent or investment adviser in New Jersey.

10. Inasmuch as Callipari was convicted of theft and fraudulent practices in regard to federal law, and sentenced to thirty (30) to thirty-seven (37) months in Federal Prison, it is hereby found that summarily barring Callipari from the securities business:

1. is in the public interest;
2. will accomplish the protection of investors by excluding such persons from the securities business and dissuading others from committing similar violations; and
3. is consistent with purposes fairly intended by the policy and provisions of the Law, namely, engendering confidence that those licensed to effect securities transactions will deal fairly and honestly with the investing public.

For the reasons stated above, it is on this <sup>24<sup>th</sup></sup> DAY of *July* 2003, ORDERED that Richard P. Callipari be, and hereby is, summarily barred, pursuant to N.J.S.A. 49:3-56(k), from being a partner, officer or director of an issuer, broker-dealer or investment adviser, or from occupying a similar status or performing a similar function or from directly or indirectly controlling or being controlled by an issuer, broker-dealer or investment adviser, or from acting as a broker-dealer, agent or investment adviser in New Jersey.

A copy of this Order shall be promptly served upon Richard P. Callipari.

By:   
Franklin L. Widmann  
Chief, Bureau of Securities

### NOTICE OF RIGHT TO HEARING

Pursuant to N.J.S.A. 49:3-56(k), any person barred by this subsection shall be entitled to request a hearing by the same procedures as set forth in subsection (c) of N.J.S.A. 49:3-50. Pursuant to N.J.S.A. 49:3-50(c)(1), upon service of the order issued by the Bureau Chief, the respondent shall have up to 15 days to respond to the Bureau in the form of a written answer and written request for a hearing. The Bureau Chief shall, within five days of receiving the answer and a request for a hearing, either transmit the matter to the Office of Administrative Law for a hearing or schedule a hearing at the Bureau. Orders issued pursuant to subsection (c) shall be subject to an application to vacate upon 10 days' notice, and a preliminary hearing on the order shall be held in any event within 20 days after it is requested; and the filing of a motion to vacate the order shall toll the time for filing an answer and written request for a hearing.

Pursuant to N.J.S.A. 49:3-50(c)(2) if a respondent fails to respond by either filing a written answer and written request for a hearing with the bureau or moving to vacate an order within the 15 day prescribed period, the respondent shall be deemed to have waived the opportunity to be heard. The Order will remain in effect until modified or vacated upon notice to all interested parties by the Bureau Chief.

### NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq., provides several enforcement remedies which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69.

You are further advised that the entry of this Order does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.